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This week's cover:

Sun-air-cured oriental tobacco outside a rural home in Greece, one of the European Economic Community's first associate members. Article on the EEC's special trade arrangements with associated countries begins this page.

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The European Econom

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The French coined a word to describe one of their fears of British entry into the European Common Market—"mondialisation," the globalization that would occur because of British ties with the Commonwealth.

This fear, as an authoritative French source explained, is that, "Britain, in effect, is insular, maritime, and linked by her trade—her markets, and her suppliers—to a great variety of countries, many which are distant ones. . . . How can it be brought about that England as she lives, as she produces, as she trades, can be incorporated in the Common Market as it has been conceived and as it functions?"

But even without the British, "mondialisation" *is* occurring within the EEC: A network of association agreements ties the EEC to an increasing number of nations by trade preferences and development loans. Typically, preferences extended to developing countries pertain to agricultural trade. Ironically, it is the established worldwide ties of France that have initiated many of the association agreements. Significantly, it is the United States that must fear the "mondialisation" of the EEC.

As A. R. DeFelice, Assistant Administrator of Foreign Agricultural Service, explained in *Foreign Agriculture*, December 28, 1964, ". . . closer attention to the EEC's association policy is called for. It is difficult to find grounds for protesting many association agreements since the trade effects of an individual case are often small. Collectively, however, the extension of preferences by the EEC can have a very considerable effect on U.S. trade."

The effect of EEC preferences on U.S. trade has four possible manifestations:

1. Most exports from associates (such as tobacco from Greece) enter the Common Market duty free under association arrangements while exports of the same commodity from the United States are subject to an import charge. Such discrimination is a potential threat to our dutiable agricultural exports to the EEC.

2. Imports of several EEC industrial items enter the associates under a "reverse preference" system, while imports of similar items from third countries (such as the United States) are subject to a higher import charge. This system violates the "open-door" principle (nondiscriminatory access to developing markets) and potentially threatens the development of U.S. markets in the associates.

3. EEC development aid to the associates increases the above-mentioned problems for U.S. trade. Typically, aid is tied—the money is to be used to buy EEC goods and services, thus limiting U.S. market development in the associates.

U.S. exports to the EEC also face possible limitations because (1) associates may develop products for export to the EEC using the aid, and (2) associates' exports to the EEC are stimulated by the liability created through the aid.

4. EEC preferences are in direct opposition to the traditional U.S. most-favored-nation (MFN) policy. For the

ommunity's Widening Preference Network

United States, exceptions to this policy are (1) *temporary* preferences for the purpose of development, such as the U.S.-Philippines preferences, which are to expire in 1974; (2) the "possibility of temporary preferential tariff advantages for all developing countries in the markets of all industrialized countries" (referred to by President Johnson at the Punta del Este conference in April 1967); and (3) the denial—for political reasons—of the most-favored-nation treatment to Communist nations.

Because EEC preferences are not extended to Latin America and because its share of the EEC import market has declined (10.2 percent of total EEC imports in 1958 to 8.9 percent in 1967), Latin America wants the United States either to persuade the EEC to end the discrimination or to grant special preferences for Latin American exports to the United States.

As DeFelice said, it is the *collective* effect of EEC preferences that matters. But first an examination of the individual EEC association agreements is necessary in assessing that effect.

The "Mediterranean Two"

Greece and Turkey became associate members of EEC in 1962 and 1964, respectively. They will become full members—a status open only to European nations—when they are in an economic position to accept all the obligations of the Rome Treaty.

During a 22-year transitional period Greek imports to the EEC are being treated in the same way as products of member countries. Thus, since July 1, 1968, Greek imports have entered the EEC duty free, except for most products covered by the Common Agricultural Policy (CAP); products that enter duty free include such important Greek export items as tobacco, fish, honey, fruits, and vegetables.

Greece also benefits from EEC development loans. In return, it has agreed to adopt the EEC's Common External Tariff over a 12- to 22-year period (the length of the period depending on the product) and to harmonize its agricultural policies with the CAP in order that Greek agricultural products can benefit from EEC-CAP provisions. So far, little progress has been made in the last area. Strained relations between the present Athens regime and Brussels have limited the association agreement to commitments already made: negotiations on agricultural policy harmonization have ceased; no new loans have been made to Greece since April 1967, and the original financial agreement expired October 1967 without renewal.

In Turkey, according to the Ankara Agreement, a similar transitional period is scheduled to begin in December 1969, though a delay until 1973 is possible. During the present 5- to 9-year "preparatory period" the EEC grants preferential tariff quotas on Turkey's key exports—tobacco, figs, raisins, and hazelnuts. Tariff reductions were granted on other Turkish exports in December 1967. In addition, the European Investment Bank has granted loans to Turkey. EEC exports to Turkey do not benefit from reverse preferences.

Though EEC imports from Greece and Turkey are small relative to total EEC imports—1.4 percent in 1962 and 1967—they are a big share of exports from these countries—37 percent of the 1967 total. Most of these exports are agricultural products. Tobacco made up 25 percent of all exports in 1967. In the past, Greek and Turkish tobaccos generally supplemented U.S. tobacco and therefore were noncompetitive with it. Recently, however, Greece has gone into production of burley tobacco, a U.S. type, and Turkey has experimented with it.

The Yaoundé Agreement

The Rome Treaty, at the insistence of France, institutionalized "mondialisation" in the EEC by providing for the association of "non-European countries and territories which have special relations with Belgium, France, Italy, and the Netherlands." Thus, not only French territories but territories of any member may be associated, and the Six share the costs and benefits of these relations. Eighteen African nations that gained independence after the signing of the Rome Treaty wanted to maintain special EEC relations. These are known as the Associated African States and Madagascar (EAMA, by the French initials of this term), which include Burundi, Cameroon, Central African Republic, Chad, Congo (Brazzaville), Congo (Kinshasa), Dahomey, Gabon, Ivory Coast, Malagasy Republic, Mali, Mauritania, Niger, Rwanda, Senegal, Somalia, Togo, and Upper Volta.

The Convention of Association of these nations with the EEC, signed at Yaoundé, Cameroon, went into force for a 5-year period beginning June 1, 1964, for the purpose of "strengthening their economic relations and the economic independence of the Associated States."

The EEC pledged $730 million over a 5-year period to the Yaoundé associates to diversify, industrialize, and increase agricultural production, so they might compete in world markets without subsidies. EEC duties on several of the associates' tropical products (including unroasted coffee, cocoa, tea, and fresh pineapples) were eliminated, while a common EEC external tariff was imposed on tropical imports from third countries (such as Latin America and Asian countries). One important exception to this common tariff allows Germany to import bananas duty free from all sources, allowing that country to continue to import bananas from Latin America.

Other imports from the 18, except for products covered by the CAP, are treated like imports from the Six. Originally this meant reduced tariffs; since July 1, 1968, it has meant no tariffs. In return, the 18 granted imports from the Six equal reverse preferences, and gradually are reducing their duties on EEC imports except where duties protect infant industries or are necessary for revenue. Reciprocal rights of establishing enterprises were granted—surprisingly—on a most-favored-nation basis.

The Lagos agreement

Once instituted, "mondialisation" snowballs. Preferences granted associates may harm third countries, which, in turn, demand their own EEC preferences.

A case in point is Nigeria. Nigeria felt its exports of cocoa, oilseeds, and vegetable oils were threatened by preferences granted at Yaoundé, but at Yaoundé the EEC had agreed to consider association of countries with economies similar

IMPORTS OF THE EUROPEAN ECONOMIC COMMUNITY, 1963-67 [1]

Source	1963	1964	1965	1966	1967	Change 1963-67
	Million dollars	*Million dollars*	*Million dollars*	*Million dollars*	*Million dollars*	*Percent*
Greece	112	136	149	176	221	+97.3
Turkey	181	179	183	210	215	+18.8
Yaoundé 18	989	1,150	1,149	1,319	1,304	+31.9
Other African nations	2,276	2,641	2,860	3,125	3,165	+39.1
Latin America	2,268	2,465	2,615	2,731	2,743	+20.9
Overseas Territories	122	92	96	106	118	— 3.3
United States	5,051	5,438	5,693	6,022	5,858	+16.0
Other	13,678	14,755	15,837	17,067	17,143	+25.3
Total	24,677	26,856	28,582	30,756	30,767	+24.7

[1] Extra-EEC trade only. Source: EEC Statistical Office.

to the 18. On this basis, Nigeria—while continuing to benefit from Commonwealth preferences—signed an agreement of association with the EEC at Lagos in 1964.

The EEC agreed to give Nigeria the same preferential treatment as that enjoyed by the 18, with an important exception: Duty-free entry of some of Nigeria's key exports—cocoa, peanut oil, palm oil, and plywood—was limited by quotas to reserve the more preferential status for Yaoundé countries. Significantly, no aid was provided for. In return Nigeria granted the EEC a few reverse preferences. Ratification of this agreement has not been completed and has been complicated by the current Nigerian war.

The Arusha Agreement, Maghreb links

EEC "mondialisation" recently appeared on the other side of the African Continent. The members of the East African Community (EAC)—Kenya, Uganda, and Tanzania—signed an association agreement with the EEC in July 1968 in Arusha, Tanzania.

This agreement parallels that between Nigeria and the EEC. The EAC, like Nigeria, now benefits from Commonwealth preferences but also wants EEC preferences to maintain its present share of the Common Market imports. The agreement allows duty-free entry of most East African exports to the EEC, but—again to protect the 18—restricts important export items: coffee and cloves are limited by duty-free quotas; canned pineapple, by a safeguard clause. It does not include development aid; it does provide for reverse preferences on some items from the EEC. It is not yet ratified.

The Maghreb States—Algeria, Morocco, Tunisia, and Libya—have limited links with the EEC. Preferences are granted by some of the Six to Algeria, by France to Morocco and Tunisia, and by Italy to Libya.

When Algeria was a part of Metropolitan France it received intra-EEC treatment (with a few exceptions). After Algeria became independent (1962) this status continued on a temporary basis until 1965. Intra-EEC tariff reductions made since 1965 have not been extended to Algeria; however, at the discretion of the EEC Council, Algeria continues to have a preferential trading status in France and, to a lesser extent, in some other EEC countries.

Algeria continues the reduced tariffs on important imports from France and the tariff rebates on imports from the other EEC countries that were granted in 1963. Algeria applied for formal EEC association in 1963. So far, action on this application includes a 1968 transitional arrangement for Algerian wine imports to the EEC.

By a special protocol to the Rome Treaty, Morocco and Tunisia may receive special tariff and quota preferences and price and volume advantages for imports into France. In return, France receives special consideration in Morocco's allocation of import quotas. Tunisia grants preferential tariffs as well.

Recently the EEC Commission was authorized to begin negotiations for an association agreement that will cover 70 percent of the exports of these two countries, financial aid, and labor movements. By an EEC Declaration of Intention attached to the Rome Treaty the two became candidates for association. However, among other problems, several exports from Morocco and Tunisia are produced in the EEC; therefore, at present the only association possible is one that excludes some of these items, such as wine.

Certain products from Libya enter Italy duty free, though quantity is limited by quotas. These products include fish and fish preparations, dates, oilseeds, carpets, and tanned skins. Libya is not eager to broaden its association.

The Overseas Territories, "Départements"

The EEC preference system extends to the Americas and the South Pacific through the Rome Treaty's provision for the association of territories. By a 1964 EEC Council decision the remaining territories of France (French Somaliland, Comoro Islands, St. Pierre and Miquelon, New Caledonia, and French Polynesia) and of the Netherlands (Curaçao, Aruba, and Surinam) were granted intra-EEC tariff treatment and $70 million in financial aid over a 5-year period in return for reducing duties on their imports from the Six.

As the State of Hawaii is an integral part of the United States, so the French Overseas "Départements" of Guiana, Guadeloupe, Martinique, and Réunion are parts of France. Thus, unlike territories, no special EEC association provision is necessary. Their EEC trade should be considered as intra-Community trade, though it appears in EEC foreign trade statistics.

The preference network as a whole

Putting the individual association links together, we can assess the total effect of EEC "mondialisation."

As the table above shows, EEC imports from Greece and the Yaoundé associates and the other African nations (which prominently include the Maghreb countries) increased at above-average rates, while increases in imports from the Americas were lower than average. The trade benefits for African associates have been less than they hoped for, but preferences plus aid have been good enough for them to want association continued and for those excluded from association to complain.

For third countries it is the long-term effects that are of

concern. EEC exports to the associates are expanding. Future possible increases in EEC imports of canned fruit, tobacco, grains, and oilseeds endanger U.S. exports to the EEC. The future banana CAP may completely exclude duty-free banana imports from Latin America, making Latin America's declining share of EEC imports even smaller.

Examining the composition of the network, we see that as yet there is no comprehensive plan of relations between the EEC and the developing world. Each existing EEC-associate link is unique and pragmatic.

We also see that this network has been growing. Agreements signed at Yaoundé, at Lagos, and at Arusha expire in June 1969. Negotiations are scheduled for their renewal with slight changes, such as a possible increase in aid to the Yaoundé group. EEC association has been considered at various times by Spain, Portugal, Israel (the present EEC-Israeli Agreement is not preferential but most-favored-nation similar to EEC agreements with Iran and Lebanon), Sweden, Switzerland, Yugoslavia, Austria, Cyprus, and Mauritius. EEC membership applicants include the United Kingdom, Ireland, Norway, and Denmark. The United Kingdom has stated that it will not accept association as an alternative to membership, indicating however that membership would involve an examination of EEC-Commonwealth relations. Though some EEC members object to the financial burden of association and support alternatives (such as a general development preference scheme), pressures for additional associations exist.

Though challenges to the EEC preference network may be possible under GATT provisions, so far it has not been feasible to raise them. This network does endanger the most-favored-nation and nondiscriminatory access principles to which the United States has long adhered. The trade benefits to the associates are inconclusive; the threats to trade of the United States and of nonassociated developing nations are real. To challenge EEC preferences and to defend the MFN and nondiscriminatory access principles is to serve the best, long-term interests of developed and developing nations.

EC Commission Prepares Plan To Revamp Agriculture

The EC Commission is submitting to the European Council a plan for structural reform of Common Market agriculture to be applied over the next decade. Details of the plan have not yet been released, and many of its provisions may be changed. However, some information has already been published giving a general outline of the program. The plan is based on proposals made by the Commission's Vice President in Charge of Agriculture, Dr. Sicco Mansholt, and aims at reducing dependence on price policy to regulate agriculture.

Desire for change in the Community's common agricultural policy has arisen from realization by some officials that price policy alone cannot bring agricultural workers a fair standard of living within a reasonable time. Yet the cost of that policy has been skyrocketing and by 1969-70 is expected to total over $3 billion. If the present system of market support and export subsidies is continued, the cost will reach $10 billion annually by 1980 according to some estimates. Even with this expenditure, the farmers' living standard would not equal that of urban groups. Some experts estimate it will take 10 years to bring average farm income up to just the present level of comparable nonfarm occupations.

Dr. Mansholt's basic economic idea is to modify the Community's agricultural structure by increasing the size of farms and reducing the number of operators, thereby raising the individual farm's level of productivity. In 1965-66 farms with under 20 hectares (49.4 acres) of agricultural land represented 85 percent of all holdings in West Germany, 72 percent in France, about 90 percent in Italy, 87 percent in the Netherlands, and 89 percent in Beligum. For the Community as a whole they now constitute 75 to 80 percent of all agricultural holdings.

The objective of the proposed policy would be to assure that over the next decade the major portion of production would come from farms ranging in size from 80 to 120 hectares (197.7 to 296.5 acres). It would likewise encourage more efficient dairy farming through establishment of farms with between 40 and 60 cows. To accomplish this, the plan suggests grouping family farms into more rational production units or cooperatives where certain services and equipment could be pooled and production and marketing jointly organized to better use modern scientific and technical methods.

The plan also calls for a reduction in the number of persons employed in agriculture to about 8 percent of the active labor force. Even though in recent years the farm labor force has fallen more rapidly than the number of farms, it still amounts to about 10 percent in West Germany, 17 percent in France, 24 percent in Italy, and 12 percent in Luxembourg.

The new scheme would include the diversion of marginal farmland into a soil bank (see "Production Controls and Soil Bank Urged for the EEC," *Foreign Agriculture*, Oct. 28, 1968). The area of cultivated farmland would be reduced from 70 million hectares (172,970,000 acres) to 65 million (160,615,000) by converting 5 million (12,355,000) into pasture, natural reserves, and forests.

Implementation of a common structural policy for the Community would present complex problems. General regulations would have to be issued to the six member governments, agricultural organizations, and individual farmers. Methods would have to be found to finance farm investments as well as pensions for aged farmers leaving the land. If younger farmers are encouraged to leave, they will need help in finding other occupations. A revised legal framework for land ownership is another of the many practical arrangements that would be necessary for a successful structural policy.

Among Community members, France is now considering some structural reforms—a prelude to Communitywide attempts at restructuring. The new French Minister of Agriculture, Robert Boulin, recently submitted to other Ministers his plan for dealing with this problem. He believes that the present marketing and price policy has failed and recommends that the state purchase land from elderly farmers on a life-annuity basis as a means of reducing the number of farmers. However, in view of the present French monetary crisis, it may be difficult to gain acceptance for this plan.

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Past and prospects

U.S. Fruit in the Export Market

By RICHARD B. SCHROETER
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Larger output of the principal U.S. fruit crops—especially citrus, cling peaces, and grapes—is expected to provide this country with ample supplies for a favorable export in 1968-69. However, the increasingly competitive atmosphere in world markets, for both fresh and processed fruits, demands aggressive efforts to achieve the momentum needed to reverse the drop in U.S. exports posted this past year.

In fiscal 1967-68, short U.S. crops, attractive domestic prices, and mounting foreign competition combined to generate a sharp setback in the upward trend of fresh and processed fruits exported from the United States. The total value of U.S. overseas sales of these products reached a 4-year low of $287 million, 10 percent below the value of a year earlier and 12 percent off the alltime high of $327 million established in 1965-66. Reduced sales of canned fruits accounted for much of the decline.

This past year, fresh oranges maintained their standing as the No. 1 dollar earner, with exports valued at $40.2 million. Considerable juggling, however, occurred in the remaining positions. Exports of orange juice catapulted into second place from seventh in 1966-67, with a sales gain of 21 percent. Lemons, replacing canned peaches, captured third place, up from fifth position a year earlier. Raisins and fresh grapes rounded out the top five commodities exported in 1967-68.

In contrast with prior years, no canned deciduous fruit product was among the five leading exports. Exports of fruit cocktail, the largest canned fruit export with dollar earnings of $17.2 million, fell to seventh position from fourth a year earlier. Canned peach exports, valued at $11.5 million, dropped to 10th from third position.

Competition in canned fruit

Short canned packs in California and a firm domestic demand strengthened by military procurement combined to limit supplies available for export in 1967-68. But foreign competition has also played an increasingly decisive role in the level of U.S. exports.

Vigorous international competition has long characterized the fresh fruit sector, but has only recently spread to the processed fruit arena. As late as 1963, the United States dominated world trade in canned peaches. This country was also among the top four world exporters of canned pineapple, with Hawaiian pineapple a common sight in European markets.

In the past several years, a growing number of foreign suppliers have gained enough status to generate a marked reduction in the influence of U.S. canned fruits in world markets. The adoption of modern production, processing, and marketing techniques, coupled with comparatively low cost and price structures, have enabled these countries not only to lessen the United States competitive position abroad but to successfully exploit the expanding demand within this country itself.

For example, canned pineapple exports from the United States have declined steadily in the past 3 years to 1.4 million cases in 1967-68, dropping the United States to sixth position among the leading exporting countries. In the interim, imports into the United States increased 50 percent to 5.2 million cases. The prospects for reversing these crosstrends are not at all encouraging because of the continued upward surge in export supplies marketed by low-cost producers such as Taiwan, Malaysia, and the Philippines. Also, the recent emergence of the Ivory Coast as a supplier of the European Economic Community threatens to further disrupt U.S. export sales. As a member of the Associated African States of the EEC, the Ivory Coast ships canned pineapple to Community markets free of the common external tariff and the variable levy on added sugar.

The declining U.S. share of canned peach exports from principal exporting countries exemplifies the erosion suffered by the U.S. product in world trade. This share has decreased in each successive year from 61 percent in 1962 to a low of 26 percent in 1967. Australia and South Africa have been the primary beneficiaries of this trend, but a number of European producers are also commanding attention.

Australia's annual canned peach pack has risen without interruption since 1961, with most of this growth channeled into the export market. South Africa's production and exports have paralleled this trend, recording marked gains in recent years. In 1967, both Australia's and South Africa's exports exceeded the 2.9 million cases shipped out by the United States. These countries are also active competitors in the sale of fruit cocktail.

Prior to 1965, Australia and South Africa concentrated their sales efforts in the United Kingdom. Lately, pressured by their expanding production and the devaluation of the British pound, they have shifted attention to continental Europe, especially West Germany, and to Canada, the largest U.S. markets. The result? In 1967, less than one-third of West Germany's canned peach imports and 55 percent of Canada's purchases were from the United States, compared with over 80 percent before 1964.

Subsidies helped Australia

Australia's successful penetration of continental European markets was aided by export payment (subsidy) funds originating from a levy on domestic marketings. After a series of protests by the United States, Australia agreed in July 1968 to suspend these payments, with respect to exports from the 1969 pack and carry-in, to continental Europe and other specified markets at least until May 1969.

The rising influence of Australian peaches in Canada has been facilitated by a preferential tariff arrangement. Preference is also accorded Australia and South Africa in the United Kingdom. As a result of the Kennedy Round negotiations, however, the United Kingdom's discriminatory tariff against non-Commonwealth suppliers will be phased to one-half its original level.

Although most competition in canned fruits has originated

in non-European countries, some European producers are making impressive strides in canned fruit production. Canned peach exports from Bulgaria, Spain, and Greece have become more noticeable in European markets. Italy has been participating more actively in the other EEC countries. Also, France expects to eventually become a prominent competitor in these markets because of its expanding cling peach production. France and Italy's membership and Greece's association in the European Economic Community gives them an advantage in intra-EEC trade since their exports are not subject to the external tariff or sugar-added levy.

Despite the competition in canned fruits, considerable potential exists for foreign market expansion by the United States. Most countries still lag far behind the United States in the trend toward consumer substitution of processed items for fresh produce. For instance, in most European countries, per capita consumption of canned peaches is less than half the 6 pounds recorded in the United States.

To stimulate consumption in Europe and ward off the encroachment of competitors, the California Cling Peach Advisory Board, in conjunction with FAS, has initiated intensive promotion campaigns for both canned peaches and fruit cocktail. This promotion is in effect in 10 European countries.

Prospects good for processed citrus

For citrus products the outstanding feature of 1967-68 was the sharp increase in U.S. exports of processed citrus, primarily orange juice. U.S. exports of single-strength and concentrated orange juice in fiscal year 1968 were valued at $25.6 million, 21 percent above the export value a year earlier and up nearly 40 percent from 1965-66.

With a large U.S. citrus crop in prospect, and braced by an intensive promotion effort, U.S. exports are expected to register increases again this year. In Europe, FAS, the Florida Citrus Commission, and its third-party cooperators will team up to give heavy promotional effort to chilled juice and frozen concentrate. Ten countries and 32 foreign distributors are involved in this campaign.

Not surprisingly, the main difficulties facing U.S. exports of citrus products revolve around increasing foreign competition and import barriers. On the competition side, Italy and Israel are the leaders in an upward trend among Mediterranean producers in the production of citrus juices. And in South America and the Caribbean, processing has already gained a firm foothold as an outlet.

Of the trade barriers limiting U.S. exports, Japan's quota on fruit juices probaby exercises the most restraint. Only small quantities are allowed entry, for use by Western-style hotels. To offset this quota, some U.S. lemons are imported for processing. Japan also maintains a quota on fresh orange and grapefruit imports. Limes were recently liberalized.

In Europe, the United Kingdom has quotas for imports of grapefruit juice and orange juice, excluding frozen orange concentrate, and for fresh grapefruit, from non-sterling sources. Most European countries also prohibit the import of oranges treated with Citrus Red No. 2, a coloring agent used on Florida oranges. Efforts to liberalize this prohibition have proved unsuccessful.

By far the bulk of U.S. orange sales in Europe are consummated in the summer months because of normally abundant winter supplies from Mediterranean producers. The United States does not find competition limited to the winter marketing season, however, primarily because of increasing supplies in the summer months from South Africa, whose citrus production is geared to the export market. Although South Africa disposes of most of its orange exports in Europe, the leading U.S. markets of Canada and Hong Kong have gained in favor as sales outlets. Israeli citrus has also become prominent in those markets in the winter season.

The California-Arizona Citrus League and FAS are promoting fresh Western citrus in Europe to counteract the growth in foreign competition. A campaign for lemons is also in progress in Japan, while sales of fresh grapefruit are being pushed in France by the Florida Citrus Commission.

Apple markets shrinking in Europe

Even though recent U.S. apple crops have been below average, exports remain important to the domestic industry because of the prospects of expanded production and future surpluses. Maintaining these outlets is becoming more and more difficult. European markets, which normally purchase the bulk of U.S. exports, are gradually shrinking because of Europe's increased self-sufficiency. This growth in production has been stimulated and protected through the popular use of time and volume controls on imports as well as minimum price systems. The presence of certain postharvest preservative chemicals on U.S. apples has also been used to restrict purchases from the United States, particularly in West Germany.

The most spectacular production gains have been recorded in France which is now marketing its ninth consecutive record crop. These gains have become increasingly evident in the export sector as France has moved from a net importing position to one of the world's leading exporters. Apple exports from France have registered over a sixfold increase during the past 5 seasons, rising from 1.7 million boxes in 1963-64 to 10.9 million in 1967-68. This growth has played a major role in the declining sales in Europe of U.S. apples. In the United Kingdom, the largest U.S. market, imports from the United States declined by over 550,000 boxes in the past 3 seasons, while those from France increased by 1.6 million boxes. France has also recently extended its sales efforts to Venezuela, another U.S. customer.

An FAS cooperator, the Northwest Horticultural Council, is trying to retain the popularity of Pacific Northwest apples and pears among the mushrooming supplies in Europe. This effort is primarily through the extension of technical and merchandising services.

U.S. dried fruits have performed well in export markets although hampered by occasional short crops, keen competition, and quantitative restrictions in Italy and France. Exports of raisins, the largest dollar earner of U.S. dried fruit exports, totaled nearly 70,000 tons valued at $23.8 million in 1967-68—3,000 tons above the volume exported a year earlier. Exports of prunes, the second leading item, brought in $19.6 million.

Thanks to effective promotion, the largest and a growing U.S. market for raisins is Japan. That country is also an important market for dried prunes. The advisory boards for California raisins and prunes, in cooperation with FAS, have conducted vigorous promotion campaigns in Japan and are continuing in their efforts to expand consumption there as well as in Europe. This season, the Raisin Board is extending its activities to two new markets—Taiwan and the Philippines—in the hopes of making California raisins a popular item in those countries also.

Building U.S. Cotton Markets by Trade Team Visits

U.S. cotton was the topic of discussion for four trade missions this fall: two coming to the United States and two going to visit import markets abroad. A tour of the U.S. Cotton Belt for a group of European spinner representatives in October (see *Foreign Agriculture*, Oct. 14) was followed last month by a similar tour for Far Eastern spinner representatives—both sponsored by FAS jointly with the National Cotton Council of America and Cotton Council International. And two U.S. cotton missions—one to six countries of Western Europe and another to six countries of the Far East—are now at midpoint.

The Far Easterners' tour began in Memphis, Tenn., with a day of briefings—coordinated by the American Cotton Shippers Association—on research and promotion programs for U.S. cotton. Proceeding to Mississippi, the team saw a cotton plantation; cotton breeding research facilities; the Delta Branch Experiment Station's research on quality improvement and mechanization; mechanical harvesting and ginning on a large commercial operation; the ginning of machine-harvested cotton at the U.S. Cotton Ginning Laboratory, Stoneville; and grading and marketing by the Staple Cotton Association, Greenwood.

In Louisiana, the group viewed research on cotton and cotton products at the Southern Utilization Research and Development Division of USDA's Agricultural Research Service. In Texas, it examined cotton shipping facilities at the Port of Houston; exchanged views with cotton exporters in Dallas; visited Lubbock, to see research by Texas Technological College, Texas A&M, and the USDA experiment station and to observe farming and cooperative marketing operations; and saw extra-long staple and long staple upland operations in the El Paso area.

Last, after a visit to Los Angeles and Long Beach port facilities, the team joined industry representatives at Bakersfield and Fresno, Calif., for field trips to farms, gins, and cotton oil mills.

Team members were: Koichi Baba, Japan Spinners Association, Osaka, Japan; George C. C. Chen, Hong Kong Spinners, Ltd., and John Yen, East Sun Textile Co., Ltd., Hong Kong; Jin Won Lee, Spinners and Weavers Association of Korea, Seoul, Korea; Patricio Lim, Universal Textile Mills, Ltd., Mariquina, Rizal, the Philippine Republic; C. V. Radhakrishnan, Indian Cotton Mills Federation, Bombay, India; and Tsu-kao Wang, Taiwan Cotton Spinners Association, Taipei, Taiwan. The team was accompanied by Joseph H. Stevenson, Cotton Division, FAS, and by Carl C. Campbell, Daniel Minchew, and Bille Hougart of the National Cotton Council of America.

Announcing the U.S. missions to Europe and the Far East, Secretary of Agriculture Orville L. Freeman said, "Throughout the postwar years, U.S. cotton has been facing increasing competition from cotton grown in other countries and from the various manmade fibers. Through the trade mission approach, we intend to take a new fresh inventory of export sales problems we face, learn more about our customers' interests and our competition, and reaffirm our ability and intention to sell actively in these markets."

The European mission is going to Austria, Belgium, Spain, Sweden, Switzerland, and Yugoslavia November 25-December 10. Team members are Joseph A. Moss (leader), director Cotton Policy Staff, Agricultural Stabilization and Conservation Service, and W. Glenn Tussey, director, Cotton Division, FAS (both of USDA); B. F. Smith, Jr., Delta Council, Stoneville, Miss. (industry associations); Charles E. Roemer, II, Bossier City, La., and Fred W. Enke, Casa Grande, Ariz. (producers); Rudi Scheidt, Memphis, Tenn., (shipper); and Phil Brauner, Cotton Producers Association, Atlanta, Ga. (co-operative).

The Far East mission is visiting India, Indonesia, Japan, the Philippine Republic, Taiwan, and Thailand during roughly the same period. Team members are Thomas R. Hughes, executive assistant to Secretary Freeman, and Grover C. Chappell, staff economist, Secretary's office (coleaders, USDA); Carl C. Campbell, Cotton Council International (industry association); W. D. Lawson, III, American Cotton Shippers Association, Gastonia, N.C. (shipper); W. Dudley Patterson, Rome, Miss., and W. R. Sage, Lubbock, Tex. (producers); and J. Russell Kennedy, Calcot, Ltd., Bakersfield, Calif. (cooperative).

During the marketing year just ended (August-July), exports of U.S. cotton to the countries being visited totaled 2,473,900 bales (480 lb. net), valued at $274.2 million.

U.S. Tobacco Team Visits Oceania, Asia

On the move in a 3-week trip through seven countries of Oceania and Asia is an eight-man team of U.S. tobacco experts, assigned by Secretary of Agriculture Orville L. Freeman to the task of developing markets for American leaf.

The team's itinerary includes New Zealand (Nov. 24-26); Australia (Nov. 26-30); Japan (Dec. 1-4); Taiwan (Dec. 4-6); Hong Kong (Dec. 6-9); Thailand (Dec. 9-11); and Israel (Dec. 12-14). In 1967, these seven countries together used about 100 million pounds of U.S. tobacco, valued at approximately $80 million. Their rapidly expanding economies give them a high potential for increased takings of U.S. leaf, and some of them already are top customers in the area.

Major objectives of the mission are—

- To appraise the current tobacco industry in each country and the potential for increased tobacco trade;
- to reassure these important foreign customers of the adequacy of U.S. supplies of quality tobacco and the continued dependability of the United States as a major tobacco exporter;
- to evaluate the current position of competing tobaccos in each market.
- to reaffirm the U.S. position on the need to achieve greater liberalization of international trade; and
- to maintain increased market access for U.S. dollar exports of tobacco.

The mission, like others promoting U.S. farm commodities, has representatives from the government, the trade, and the producers. Representing government are Claude G. Turner, Tobacco Policy Staff, Agricultural Stabilization and Conservation Service (team leader), and LeRoy Hodges, Jr., Tobacco Division, FAS. Representing the leaf export trade are Lloyd Lee Gravely, Jr., China-America Tobacco Co., Rocky Mount, N.C., and Richard W. Tuggle, Universal Leaf Tobacco Co., Richmond, Va. Representing a producer cooperative is Fred G. Bond, Flue-Cured Tobacco Cooperative Stabilization Corp., Richmond, Va. Producers are David J. Williams, Richmond, Ky.; John Nathan Lockamy, Clinton, N.C.; and John Monroe Holliday, Galivants Ferry, S.C.

Below, etrogs in orchard are packed for transport to the Tel Aviv shipping and inspection center. Right, they are checked for suitability for religious uses.

Etrog: Israel's Goodly Tree

By RAFAEL W. ROSENZWEIG
Office of U.S. Agricultural Attaché
Tel Aviv

"And you shall take on the first day the fruit of the goodly tree, branches of palm trees, and boughs of leafy trees and willows of the brook, and you shall rejoice before the Lord your God seven days." (Leviticus, ch. 23, v. 40.)

This is probably one of the first references to citrus in general and to the citron, or etrog tree, in particular.

As early as the first century A.D., some doubts were expressed over which tree the scriptures meant. Eventually, however, the consensus came to be that the goodly tree was the etrog, long considered holy and a harbinger of health. As in Biblical times, Israel is today one of the leading producers of the etrog. And while this product is a small part of Israel's $110-million annual citrus output, it does enjoy a steady, specialized market at home and in the United States.

Uses of the fruit

The etrog, *Citrus medica,* is considered one of the oldest and least-altered varieties of citrus to be cultivated. According to pictorial evidence from ancient Indian monuments and from second-century mosaics in Palestinian synagogues, the fruit grown today is exactly the same as that known in antiquity.

As a food, etrog has never been popular, for it has a thick peel and only a small and very sour fruit center. Physicians in antiquity and the Middle Ages used it as a medicine for seasicknesses, respiratory diseases, intestinal trouble, and other sicknesses. Today, the peel in some varieties, cured in brine and either pickled or candied, is an expensive delicacy. But the greatest use is in the Jewish ritual connected with the Feast of Tabernacles—Sukkot—which takes place in the fall, 2 weeks after the Jewish New Year.

The etrog is peculiar in that it can remain on a tree for years, growing until the branch can no longer support its weight. A 3-year-old fruit might reach the size of a small melon, and the Talmud—an early compilation of Jewish legal discussions, decisions, and parables—relates how one sage tried to outdo his friends by carrying the etrog he had prepared for religious festivities on his back, as it was too big to be carried in his hands. Since then, more stringent requirements for the etrog have been laid down. To be acceptable for religious use, the fruit must be without blemish—no bruises or insect stings may mar its peel; its style must be completely attached; and the crown leaves of the bud must be complete. The preferred fruit is about 5 ounces in weight, of regular shape, and should not be oblong.

Production small, painstaking

Because of the limited market, etrog production in Israel is on a small scale. There are about 25 acres devoted to etrogs, with individual trees in backyards adding up to another acre. Total production is not known and is irrelevant since only fruit acceptable for religious purposes is sold. An estimated 100,000 etrogs—about 35,000 pounds—are sold in the local market, and 50,000—12,500 pounds—are exported, with 90 percent of the export destined for the United States. Value of exports is about $150,000 f.o.b., and value of the total crop at producers' level is about the same.

Cultivation costs of 1 acre of etrogs are estimated at about $1,300, or four times the amount required for Jaffa oranges or grapefruit. But this has not deterred expansion, as the production is expected to increase by 40 percent within the next 5 years.

Behind the high cost of production is the great care needed to make the etrog near perfect.

In the etrog orchards, surface irrigation is practiced since transport of irrigation pipes through the closely planted plots might damage the fruit. After fruit-setting, nearby branchlets are carefully pruned away, and the fruit is sus-

pended in its place by carefully binding it to other branches. Trees are frequently sprayed in order to minimize infestation by insects and scales. Immediately after picking, the fruit is individually wrapped in hemp fiber and carried in trays to a field sorting station. From the field, the daily crop is transported to central packaging and inspection stations in Tel Aviv. There, each fruit undergoes a thorough inspection by examiners qualified by the Chief Rabbinate, so that only fruit acceptable from the strictest religious point of view reaches the final consumer.

Etrogs destined for export must pass a second, no less stringent, inspection by the Plant Protection Service of the Israeli Ministry of Agriculture.

In addition to all this, fruit destined for export to the United States is inspected by a representative of the Plant Quarantine Service of the U.S. Department of Agriculture. The exporters and importers reimburse the USDA for the inspector's salary and pay his other expenses. Purpose of these inspections is to eliminate the possibility of fruit infested by the Mediterranean fruit fly entering the United States.

This long, involved process may eventually be simplified. Currently, fumigation tests are being conducted by the Israeli Plant Protection Service in cooperation with the USDA representative to explore the possibility of eliminating inspection of each fruit for fruit fly infestation. As any damage to the delicate product would make it unacceptable for the religious ceremonies, a considerable number of tests are being made with different concentrations and various kinds of fumigants.

Most Canadian Field Crops Recorded Gains This Year

Despite unfavorable harvesting conditions in the Prairie Provinces, field crops in Canada this year are generally larger than those of 1967.

Final estimates for wheat—Canada's most important crop and largest agricultural export—show a 10-percent gain from last year to 650 million bushels. Similar increases are given for the other grains, beans, and potatoes.

Among the oilseeds, topsy turvy prices caused some interesting production changes. A short world crop and strong prices in 1967 attracted growers to flaxseed, production of which nearly doubled to 18.2 million bushels. There was on the other hand, a shift away from rapeseed, whose prices fell sharply following a record world crop in 1967. This diversion led to a 25-percent drop in 1968 production. Mustardseed was another big gainer, with production more than tripling to 469 million pounds in response to expanded export demand.

The expansion in crops came even though farmers in the Prairie Provines faced one of the wettest and most difficult harvest seasons in several years. Progress with the harvests was extremely slow, owing to cool, intermittently wet weather beginning in mid-August. Most serious delays occurred in central and northern districts of Saskatchewan and Alberta, where immature crops and unfavorable weather were problems, and in the eastern half of Manitoba, where many fields were flooded following heavy rains. And in the latter stages of the harvest much of the grain crop was taken from the fields in a tough, damp condition.

The effect of this unfavorable weather is not to be seen in yields per acre, which in most cases came up to early expectations and exceeded yields for the 1967 season. Quality of the grains, however, was reduced considerably.

While farmers in the prairies were fighting against rains and frosts, those in eastern Canada were enjoying a most favorable harvest season. Rapid progress was made throughout much of Quebec, where good harvest weather prevailed. Some delays occurred in Ontario, but fine October weather allowed a speedy catchup there. In both Provinces yields for most crops were generally good. In the Maritime Provinces, the bulk of production was taken off by mid-September owing to dry weather and resulting early crop maturity.

In British Columbia, harvesting has been completed, although unfavorable weather slowed progress in the Peace River block; crops in this area generally yielded well.

—Based on dispatch from
ALFRED R. PERSI
Acting U.S. Agricultural Attaché, Ottawa

PRODUCTION OF MAJOR FIELD CROPS IN CANADA

Crop	Area 1967	Area 1968	Yield per acre 1967	Yield per acre 1968	Production 1967	Production 1968
	1,000 acres	*1,000 acres*	*Bu. per acre*	*Bu. per acre*	*1,000 bu.*	*1,000 bu.*
Wheat:						
Winter	400	355	38.7	42.0	15,480	14,910
Spring	28,419	26,729	19.6	22.1	557,240	590,534
Durum	1,302	2,339	15.5	19.0	20,200	44,400
Total wheat	30,121	29,423	19.7	22.1	592,920	649,844
Oats	7,436	7,556	40.9	48.0	304,178	362,516
Barley	8,115	8,837	30.6	36.8	248,662	325,373
Rye:						
Fall	601	591	18.1	19.6	10,864	11,589
Spring	84	88	13.3	16.6	1,117	1,460
Total rye	685	679	17.5	19.2	11,981	13,049
Flaxseed	1,023	1,524	9.2	11.9	9,378	18,166
Mixed grains	1,668	1,667	45.8	51.4	76,427	85,602
Grain corn	876	953	84.6	84.8	74,083	80,743
Buckwheat	76	81	17.1	16.9	1,292	1,376
Dry peas	47	53	23.5	19.2	1,115	1,022
Dry beans	86	91	16.7	17.8	1,435	1,621
Soybeans	290	295	27.9	30.6	8,091	9,027
Rapeseed	1,620	1,052	15.2	17.8	24,700	18,700
			Cwt. per acre	*Cwt. per acre*	*1,000 cwt.*	*1,000 cwt.*
Potatoes	304	303	153.9	167.8	46,743	50,904
			Lb. per acre	*Lb. per acre*	*1,000 lb.*	*1,000 lb.*
Mustardseed	221	533	678	880	149,900	469,000
Sunflowerseed	46	40	786	619	36,010	24,750
			Tons per acre	*Tons per acre*	*1,000 tons*	*1,000 tons*
Tame hay	12,902	12,438	1.97	1.85	25,385	23,034
Fodder corn	596	625	12.29	12.53	7,328	7,835
Field roots	14	13	12.48	13.00	171	169
Sugarbeets	83	80	12.98	13.25	1,081	1,063

CROPS AND MARKETS SHORTS

Belgium Produces Fewer Hops

The 1968 Belgium hops crop is estimated at 4,182,000 pounds—down 8 percent from last year's record 4,564,000-pound output. Although acreage was down slightly (from 2,970 acres in 1967 to 2,921 in 1968) cool damp weather during the growing season and at picking time was responsible for most of the reduction. The quality of continental varieties (Saaz, Tettnang, and Hallertau) was said to be rather poor, also because of the bad weather. Brewing values of Brewers Gold and Northern Brewer varieties were, however, higher than a year ago in spite of the weather.

Belgian prices have improved somewhat from last year's lows, but are still below 1966 levels. Current spot prices with comparisons for the corresponding period in 1967 in parentheses are as follows: Hallertau 68¢ (36¢); Saaz and Tettnang 73¢ (64¢); Northern Brewer 73¢ (45¢) and Brewers Gold 64¢ (36¢). However, a large proportion of the crop has been sold on forward contracts, and average grower prices for the 1968 crop based on preliminary data are as follows: Tettnang and Saaz 77¢; Hallertau 64¢; Northern Brewer 71¢ and Brewers Gold 54¢.

The Belgium Government has again established an import quota of 1,984,000 pounds for hops from countries outside the EEC. So far, licenses have been released for 882,000 pounds; the rest should be out by December.

BELGIUM'S HOPS SUPPLY AND DISTRIBUTION [1]

Item	Year beginning Sept. 1			Forecast 1968
	Average 1962-66	1966	1967	
	1,000 pounds	*1,000 pounds*	*1,000 pounds*	*1,000 pounds*
Production	3,474	3,990	4,564	4,182
Imports	3,981	4,008	3,843	4,100
Total supply	7,455	7,998	8,407	8,282
Exports	2,207	2,026	2,908	2,700
Domestic disapearance [2]	5,248	5,972	5,499	5,582
Total distribution	7,455	7,998	8,407	8,282

[1] Excludes extracts of hops.
[2] Includes changes in brewers' and dealers' stocks.

Germany Announces Flower Import Tender

West Germany has announced a tender allowing imports of fresh cut flowers other than tulips, hyacinths, narcissus, orchids, and anthuria from the United States, Egypt, Argentina, Bulgaria, Israel, Yugoslavia, Lebanon, Kenya, Malta, Portugal, South Africa, Romania, Hungary, Tunisia, Cyprus, and Czechoslovakia.

Applications for licenses—separate for each country of origin—will be accepted until the value limit is reached but not later than May 12, 1969. All issued licenses will become invalid three days after publication in the "Bundesanzeiger" that the value limit is reached. The imported flowers must meet the EEC quality standards. Existing phytosanitary requirements must be observed.

Dutch Textile Industry Uses Less Cotton

Cotton consumption by the Dutch textile industry in 1967-68 (August-July) fell to a 15-year low of only 285,000 bales. This compares with a 1960-64 average of 361,000 bales. Generally slow activity in the West European cotton industry, heavy textile imports, primarily from other EEC countries, and increased competition from manmade fibers account for a major part of the reduction in mill offtake. During calendar year 1967, nearly one-fifth of the total operating spindles were shut down as three spinning mills closed and a number of others reduced capacity.

In early 1967-68, the Dutch Government made financing available in the form of credit guarantees to the textile industry to encourage capital investment for modernization of equipment. By the latter part of the season, activity had increased in both the spinning and weaving sectors. Industry officials are, however, apprehensive concerning the effect of the new value-added tax. This tax becomes effective in January and may increase the cost of textiles produced in the Netherlands. Raw cotton consumption in the current season is placed at 300,000 bales.

Imports in the 1967-68 season totaled 372,000 bales. This compares with the alltime record of 409,000 bales imported in 1966-67 and the 1960-64 average of 365,000. Imports from the United States in 1967-68 totaled 28,000 bales, down 1,000 from a year earlier and a sharp drop from the 1960-64 average of 114,000. Other suppliers of cotton to the Netherlands include Brazil, Turkey, Uganda, and Nigeria.

Dutch merchants re-export a large volume of cotton. Re-exports in 1967-68 totaled 102,000 bales, compared with 80,000 in 1966-67. This cotton moves to other countries in Western Europe, primarily West Germany.

Morocco To Receive More USSR Sunflower Oil

Under the new 5-year trade agreement with the USSR, Morocco has obtained larger annual quotas for USSR sunflower oil—fixed for 1969 at quantities ranging between 15,000-40,000 metric tons and set at 40,000 tons a year for 1970-73. This compares with the 20,000-ton quota under the agreement for 1967 and 2,000 tons in previous years. Imports of USSR sunflower oil during 1968 are expected to total around 30,000 tons.

Philippines Gets Coconut Plasticizer Plant

The first coconut plasticizer plant in the Philippines—and reportedly the second in the world—was opened in Lucena City on October 26. The plant has an annual capacity of 6,600 metric tons of plasticizer (COCOPLAS) and 360 of crude glycerine. Coconut oil, fatty acids, and fatty alcohols will also be produced, and the manufacture of soap, detergents, and margarine is planned for the future.

The annual copra requirement of the new plant is estimated to be about 7 percent of total Philippine copra production.

U.S. DEPARTMENT OF AGRICULTURE
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U.K. Agriculture Minister Hughes Speaks on Expansion

In the House of Commons on November 12, Agriculture Minister Hughes announced the broad outlines of the United Kingdom's plan for agricultural expansion through 1972-73. The statement followed mounting pressure from the National Farmers' Union and others who want British agriculture to contribute a greater share of the country's agricultural needs so that imports will be lowered. The speech was also the government's response to the Economic Development Committee for Agriculture's report "Agriculture's Import Saving Role."

Mr. Hughes said that the government had carefully reviewed the contribution made by agriculture to the national economy in recent years and gave the industry credit for having made efficient use of the resources devoted to it. Productivity and output have risen, and considerable import saving has been gained already. These advances have been achieved without significant increase in support costs and in line with the United Kingdom's international obligations.

The government has decided that the selective expansion program for agriculture now in effect should continue with the goal of maintaining the current rate of increase in productivity. Therefore, the present plans carry forward through 1972-73 the national plan drawn up in 1965.

The Minister then commented on the report of the Economic Development Committee (EDC). The report encouraged broad expansion in the production of cereals, as does the government policy on cereals. However, the government considers the EDC estimates for achievement by 1972-73 a little optimistic. The EDC-proposed 24-percent expansion in total U.K. grain production would require a 17.5-percent increase in acreage. The proposed 50-percent increase in wheat production would require a 43-percent acreage increase, and the 13-percent barley output gain suggsted an 8-percent increase in acreage. The extent of these acreage increases coupled with this year's difficult harvest, which underlines the uncertainties facing cereal growers, makes the EDC projection seem too high.

In other sectors, the Minister's speech more nearly accepts EDC proposals. Some difficult technical and marketing problems are foreseen in achieving the EDC-proposed pig meat production increase of 24 percent for fresh pork and 84 percent for bacon. These include the problems of productivity and lack of competitiveness in the curing industry. However, subject to these points, the Minister welcomed and endorsed the EDC assessment. He accepted the EDC proposals for beef and milk production and the continued expansion of beef output from both beef and dairy herds. The EDC proposal projected a 21-percent increase for home-bred slaughter. The Minister stressed the importance of making significantly better use of grassland, saying that any increase in the size of dairy herds for beef purposes should be related to cheaper milk production.

A net import saving goal of about $384 million by 1972-73 has been set by the government. This is lower than the net import savings of $543.2 million proposed by EDC.

Mr. Hughes emphasized that the program will continue to rely on the stability of markets in the United Kingdom. In referring to the existing arrangements for cereals (minimum import prices and levies), butter (quotas), bacon (market sharing arrangement), potatoes (contract acreages), he said that further measures for other commodities may be required and are being considered. The development of the program, and its cost, required resources, and market situation would be examined with the industry at each annual review of the progress of agriculture.

Conservative opposition attacked the Minister for not having gone far enough and for not having made more concrete proposals. Perhaps the most significant feature of the Minister's speech is the omission of any specific mention of the possibility of moving from the present deficiency payments system financed from taxes to one of general minimum import prices and levies. The government's difficulty in transferring the cost of support from the taxpayer to the consumer stems from its policy on prices and incomes. Any move aimed at raising food costs would conflict with this policy. On the other hand, expansion along the lines outlined in the Minister's speech would inevitably add substantially to the tax bill for agricultural support.

—Based on dispatch from *David L. Hume*
U.S. Agricultural Attaché, London

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